

HALCYON AGRI

SUSTAINABILITY REPORT 2012



**A CORPORATE
CITIZEN**

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Corporate Profile

At Halcyon Agri, we operate in the midstream of the Natural Rubber supply chain, specialising in the processing and merchandising/marketing of processed Natural Rubber.

The Group produces Technically Specified Rubber ("TSR") of Indonesian origin to a range of specifications (e.g. SIR20, SIR20-VK, SIR20-Compound and SIR10), which is used as an essential input to the manufacture of vehicle tyres.

Our headquarters, risk management, merchandising and marketing operations are located in Singapore.

We own and operate two long established Natural Rubber processing facilities located in Palembang, South Sumatra, Indonesia, which is the largest Natural Rubber exporting province in Indonesia.

Our products are sold to a global customer base, including many of the top 20 global tyre manufacturers.

Industry Background

The Natural Rubber industry is a US\$33 billion per annum business, making it the second largest tropical crop after oil palm.

The global tyre manufacturing industry, for which Natural Rubber is an essential input, is the largest consumer, accounting for approximately 70% of the global consumption of Natural Rubber.

Demand for tyres and therefore the demand for Natural Rubber is mostly driven by the global vehicle population, which currently exceeds 1 billion units. Emerging markets such as China are driving the growth in the vehicle population.

Despite decades of research, no synthetic substitute has been found which fully mimics the properties of Natural Rubber and higher proportions of Natural Rubber in tyres is linked to premium high performance finished products.

Rubber trees, *Hevea Brasiliensis*, from which Natural Rubber is sourced, grow well only within 10 to 15 degrees of the equator. Indonesia is the second largest rubber producing country in the world, accounting for 27% of global production. Palembang is the largest Natural Rubber exporting port in Indonesia, accounting for approximately one-third of total Indonesian Natural Rubber exports.

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 1 February 2013. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This sustainability report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this sustainability report.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.



MANAGING FOR THE **LONG RUN**





Sustainability Makes Business Sense

Vision: To be a leading natural rubber producer in terms of quality of product, sustainability, and profitability.

It is wonderful to have a vision but it's even better to put into practice what we believe in; to measure and to manage our progress, and to show we are making significant improvements in the way we conduct our business as we travel on the very important sustainability journey.

This is our first sustainability report, and I'm pleased to say that it not only spells out how far we have come, but it demonstrates our commitment to change and progress, benchmarked against internationally accepted sustainability guidelines. Our reporting is aligned with the principles and framework of the Global Reporting

Initiative's 3.1 Reporting Guidelines as well as the SGX Guide to Sustainability Reporting for Listed Companies.

In our Group Annual Report for 2012, I made it clear that we believe a sustainable business makes for sustainable profits. Developing and implementing the best practices in corporate social responsibility and sustainability make perfectly good business sense.

Of course, we have a commitment to wider environmental and societal issues, like working to prevent pollution and conserve natural resources, as well as to ensure we are reducing our own impact on the environment.

We also believe our people and our stakeholders are essential partners in our sustainability progression.

Sustainability goes beyond environmental factors to the way we look after our own people and our involvement in the local and wider community. I am pleased to see that we have adopted some very positive measures in terms of staff welfare, health and safety. We continue to contribute to community development initiatives and local infrastructure improvements.

We have set six strategic priorities in terms of social and environmental factors impacting our industry and our business. They comprise: Staff welfare, Staff health and safety, Adherence to customer requirements and quality standards, Production efficiency, Environmental compliance, and Good housekeeping.

A critical component of these strategic priorities is stakeholder engagement and how we treat and factor in our partners.

We need to take into account that our international customers are increasingly demanding responsibly-managed supply chains. That provides additional pressure on us as a supplier, but it also reinforces our commitment to do things right by the environment and society, to be more productive and sustainable in our operations.

Our processing facilities are already ISO9001 certified, but we want to, we need to, raise our operating standards even more by aiming to achieve ISO14001, the international benchmark for environmental management.

We also need to be conscious of, and committed to, improving our upstream stakeholder engagement. Even if contact to date with rubber farmers has been limited, we need to recognise our ability to play an influential role in advocating sustainability issues.

We have made some efforts, such as providing rest areas and refreshments for our rubber raw material suppliers. I am pleased to see that, moving forward, we plan to expand these areas and use them as venues for communication and obtaining feedback. We also intend to engage our upstream stakeholders to identify social and environmental issues and understand how best to address them. This is best done through a combination of individual and collective effort through industry memberships.

We can also be a power for good in the wider rubber industry as well as the community at large. We are engaged

and working closely with organisations like the Rubber Association of Indonesia (GAPKINDO), the International Rubber Study Group and the Singapore Chinese Chamber Rubber Association to explore and initiate collective action on ensuring that sustainability has an important place in the natural rubber business as it does for us.

But with greater growth and increased size comes added responsibility. The overall vision and strategy for our company over the short, medium and long term is to effectively manage key challenges in the industry and to address all social and environmental impacts while sustaining economic growth.

We are as committed to sustainability as we are to being an industry leader in productivity and profitability. We look forward to continuing on the sustainability journey in partnership with our people and all our stakeholders.

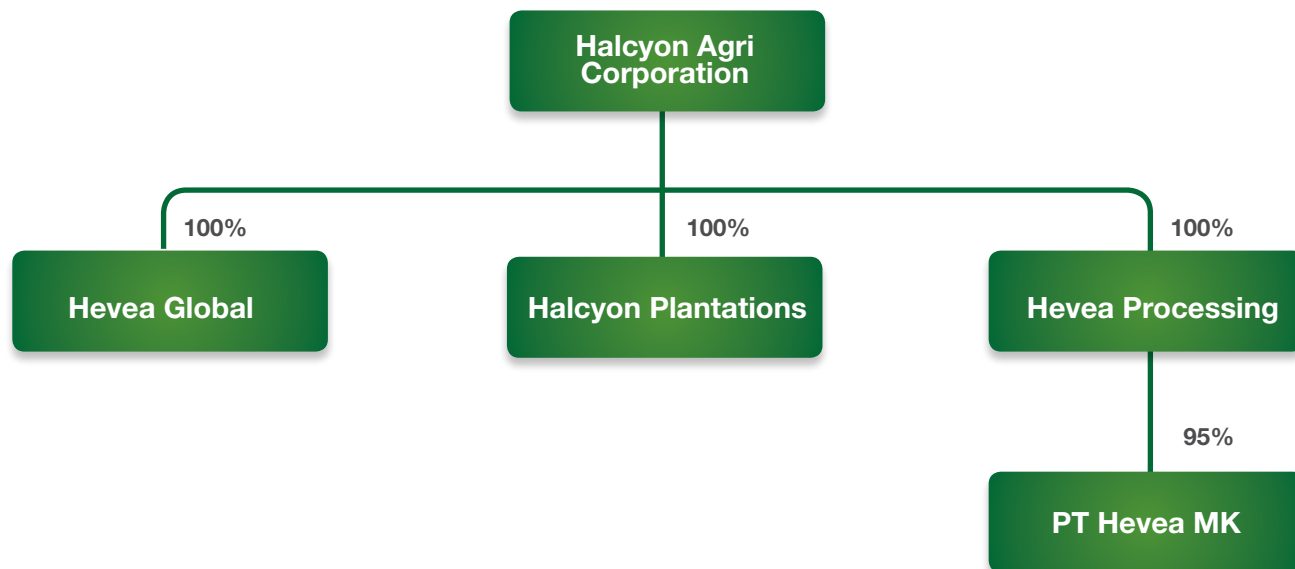
Reporting on sustainability is one important step. We are ready to take the next step to implement actions to show that we mean business and to demonstrate that sustainability is a business imperative.



Robert Meyer
Executive Chairman and CEO
Halcyon Agri

Our Business in Brief

Figure 1. Halcyon Agri Corporation Limited group structure and business units.
(as of 31 December 2012)



Halcyon Agri Corporation Limited ('HAC' or 'Group') is an integrated producer and merchandiser of Standard Indonesian Rubber (SIR), a grade of technically specified natural rubber essential in the manufacture of vehicle tyres. Headquartered in Singapore, we are amongst the largest exporters of natural rubber in South Sumatra, Indonesia. Together with a network of other processors, our rubber processing facilities support the single largest rubber exporting port in Indonesia – Boom Baru Port in Palembang.

Our business model operates in the midstream of the natural rubber supply chain where we supply rubber raw material for tyre companies through sourcing and processing rubber slabs from a range of local suppliers mainly from South Sumatra, Indonesia.

HAC is structured into three main business units covering Singapore and Indonesia. In Singapore, we have Hevea Global Pte Ltd, Hevea Processing Pte Ltd and Halcyon Plantations Pte Ltd (See Figure 1). Hevea Global Pte Ltd purchases rubber raw material from suppliers, handles risk management for the Group, and undertakes sales and marketing activities with customers. Hevea Processing Pte Ltd, through its subsidiary PT Hevea MK in Indonesia, is responsible for processing purchased raw material into various rubber specifications and exporting services for and on behalf of Hevea Global Pte Ltd. PT Hevea MK operates two natural rubber processing facilities, which are located along the banks of Musi River in Palembang, Indonesia. These facilities, called HMK1 and HMK2 have been in operation for 50 years and 30 years respectively. Halcyon Plantations Pte Ltd will seek opportunities to invest in upstream opportunities, with the purpose of supporting our factories with high-quality raw material.

Our Products

Our natural rubber products consist of five main SIR specifications: SIR20, SIR20—Compound, SIR10-VK, SIR20-VK and SIR10. We have particular expertise in the production of SIR20-VK.

SIR20 rubber is a medium grade rubber used mainly in the manufacture of car and truck tyres and, to a lesser extent, in certain engineering applications. SIR20-Compound rubber is a versatile grade of rubber with the ability to be processed into various specifications based on customer requirements. This grade is mostly sought after by various industries in China.

SIR20-VK rubber is best suited to engineering or tyre applications involving more complex designs or processes. SIR20-VK is particularly sought after in tyre manufacturing because its technical properties allow our customers to achieve energy savings as a result of reduced mastication in their production process, as well as greater throughput compared to normal grade rubber. As a result, a significantly greater number of tyres can be produced at our customers' facilities compared to the same volume of normal grade rubber.

Our Customers

Our Group generally aims to sell our products to the tyre manufacturing industry, particularly those with a specific requirement for SIR20-VK rubber.

To be a supplier to international tyre manufacturers and international trading houses, we are subjected to strict qualification assessments that can take up to 12 months depending on the range of tests and on site inspections required by individual tyre manufacturers.

We are proud to be approved suppliers to the following international tyre manufacturers:

1. Bridgestone,
2. Ceat India,
3. Continental,
4. Cooper Tire,
5. Goodyear,
6. JK Tyre India,
7. Kumho,
8. Sumitomo Tyre, and
9. Toyo Tires.

The Singapore Commodity Exchange (SICOM) also approves our products for delivery.



Awards

In 2012, Halcyon Agri Corporation Limited was conferred an award as a Singapore SME 1000 Company by DP Information Group, a veteran ranking body and publisher in Singapore. To achieve such status, companies must demonstrate strong financial performance and good corporate governance through transparency and accountability. We are honoured to have received this award. Moving forward, we shall maintain our focus in becoming the leader in natural rubber production through financial excellence, production quality and responsible practices.



■ ■ ■ ■ About this Report

HAC commenced operations in April 2010 and completed acquisitions of two key rubber processing facilities in Indonesia (HMK1 and HMK2) and related assets in February 2011. Despite a relatively short history, our HMK1 and HMK2 processing facilities are well established having been operating since the 1960s and 1980s respectively. Moreover, we have successfully retained senior executives responsible for operating the facilities in Indonesia. This provided the necessary continuity in delivering products to our international customers.

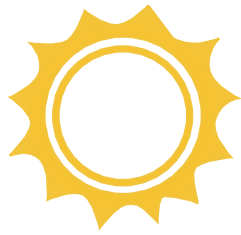
We have prepared this sustainability report to present key material issues faced by our business. As Halcyon Agri Corporation Limited's first sustainability report, we report on our performance for the period 1 January 2012 to 31 December 2012 and provide historical data where available from 2011 when we formally took over operations in HMK1 and HMK2.

This 2012 Sustainability Report covers our entire operations in Singapore and Indonesia. These include Hevea Global Pte Ltd, Halcyon Plantations Pte Ltd, and Hevea Processing Pte Ltd and its subsidiary, PT Hevea MK that runs and operates HMK1 and HMK2 in Indonesia. As of 31 December 2012, there have been no acquisitions made by Halcyon Plantations Pte Ltd. For any acquisitions in future, we will endeavour to include key material issues arising from the ownership and management of rubber plantations in its sustainability performance.

We have prepared our report using the Global Reporting Initiative ('GRI') version 3.1 reporting guidelines at Application Level C. Moving forward, we intend to report on our sustainability performance annually through various forms of media. This approach provides us confidence in reaching out to our stakeholders through their preferred means of communication.

Your feedback is most welcome. We invite you to read this report and provide your insights at enquiry@halcyonagri.com.





ENSURING SUSTAINABILITY



Stakeholders and Materiality



An important starting point in our sustainability journey is to identify our stakeholders and material issues relevant to our business. To address this, we conducted a sustainability assessment in mid-2011 with the help of an external consultant (Paia Consulting). With guidance from AA1000APS (2008) principles and engagement framework from AA1000SES (2011), we have defined our key stakeholders into six main groups:

- Customers,
- Competitors,
- Industry Associations,
- Employees,
- Regulators, and
- Local Suppliers

Our customers include tyre manufacturing companies and trading houses. Our aim is to ensure consistent compliance and responsiveness to industry requirements.

Our competitors include local and international players also offering various SIR rubber grades including SIR20-VK. Occasionally, we conduct benchmarking activities to enhance operating standards and production efficiency.

The industry association that has been most influential to our operations is

the Rubber Association of Indonesia known as GAPKINDO. GAPKINDO aims to develop and improve production, processing and marketing of Indonesian natural rubber as one of the most important export commodities of the country. In practice, GAPKINDO supports activities to improve environmental performance and raise labour standards for the rubber industry. Our Head of Production, Mr Alex Edy has served on the GAPKINDO board for many years. Since 1996, he has been the Chairman of the South Sumatra Office of GAPKINDO and a Vice Chairman for Organization of GAPKINDO's central office based in Jakarta, Indonesia. We value our membership in GAPKINDO and will continue to support its aims moving forward.

Our employees are our most important asset. We aim to attract and maintain top talent through provision of competitive remuneration and benefits as well as protection of their health and safety.

For regulators both in Singapore and Indonesia, we aim to comply with all applicable legal requirements involving our business operations.

Local suppliers are primarily those entities/persons delivering rubber slabs to our processing facilities. These can either be smallholder farmers themselves or agents who act as aggregators of rubber slabs sourced from various rubber plantations across South Sumatra, Indonesia. Our dealings with this group have historically been based on purchasing rubber slabs based at prevailing market prices. Moving forward, we aim to work closely with our local suppliers to build long-term partnerships beyond transactions at our processing facilities.

Table 1 provides a summary of various engagement activities conducted with our stakeholders.

Table 1. Stakeholder groups and engagement activities.

| Stakeholder Group | Engagement Activities |
|------------------------------|---|
| Customers | <ul style="list-style-type: none"> • Sales presentations (On-going) • Pre-contract on site inspections (On-going) • Shipment delivery meetings (On-going) |
| Competitors | <ul style="list-style-type: none"> • Networking events (On-going) • Visits to our factories for benchmarking (On-going) |
| Industry Associations | <ul style="list-style-type: none"> • GAPKINDO Board Meetings <ul style="list-style-type: none"> • Annual attendance to address country-level agendas such as national environmental legislation • Quarterly attendance to address local agendas (i.e. Palembang-specific) • Ad hoc meetings to address specific issues from stakeholder feedback |
| Employees | <ul style="list-style-type: none"> • Board - Senior Management meetings (Quarterly) • Senior Management – Line Management meetings (Monthly) • Line management – Staff meetings <ul style="list-style-type: none"> • Production planning (Daily) • Production performance reviews (Monthly) |
| Regulators | <ul style="list-style-type: none"> • Regulations briefing (as needed) • Environmental compliance reporting (monthly reporting and visits by public officials for random checks) |
| Local Suppliers | <ul style="list-style-type: none"> • Rubber raw material quality checks and sales transactions at our factories (Daily) • Provision of rest area and light refreshments for delivery drivers at our factories (Daily) |

Following the identification of stakeholders, we also identified key material issues that are strategic to our business success. These six strategic priorities are identified below as follows:

- Staff welfare
- Staff health and safety
- Adherence to customer requirements and quality standards
- Production efficiency
- Environmental compliance
- Good housekeeping

In early 2013, we conducted a management workshop to review our stakeholder and materiality assessment. The aim was to ensure inclusivity in mapping stakeholders and to ensure completeness and continued relevance of our identified key material issues. Results of this workshop have influenced future plans and commitments.

CUSTOMERS

We engage our customers regularly to obtain essential feedback on how we can best meet their supply requirements.

Engagement Process

Contract arrangements mainly begin from supply discussions with the respective procurement directors or top management. As talks progress, our customers ask to visit our processing facilities with their technical teams for the purpose of verifying our quality, health and safety and other operating standards. For each engagement, customers provide us feedback to help us conform to their standards and at the same time, improve our practices. We conduct this cycle of engagement per customer. We have at least one such engagement every quarter.

Observations from customers about improvements to housekeeping activities and health and safety controls have been taken to heart. As an ongoing process since 2011, we have addressed these concerns by implementing the following activities: (i) Setting up of housekeeping



teams per processing facility, and (ii) Distribution of personal protective equipment (PPE) for staff use on the production floor.

A year-end review with our on site management teams revealed these initiatives to be a considerable improvement compared to previous years. However, our review also revealed further areas for improvement. For example, levels of cleanliness and order have been subjective due to differing standards from person to person. To address this, we have set ourselves a benchmark for good housekeeping for implementation starting 2013. Our benchmark is largely based on best practice observed from peers and industry.

On health and safety, we recognise that distribution of PPE is not enough in mitigating or eliminating risks to our staff especially on the production floor. We believe a management system approach is necessary to progressively address risks. As a result, we have set ourselves a goal of achieving OHSAS18001 certification by 2013.

Our customers have welcomed these initiatives to date. Since 2011, we have not had a customer remove us from their approved supplier list.

Product Quality and Security

A key strength our processing facilities have is ensuring that the quality of our rubber raw materials meets customer specifications. To achieve this, we maintain ISO9001 management system certification at each facility since 2008. The system enables us to identify and address any quality gaps that would otherwise prevent us from delivering the required specifications to our customers on time. To date, we have not had any significant incidents reported by our customers involving rejected finished goods.

On a related note, our Group embarked on complying with the Customs-Trade Partnership Against Terrorism (C-TPAT) requirement for our customers operating in the United States of America. We consider compliance to the U.S. Customs and Border Protection (CBP) as critical to continuing our business with North American customers. Our aim is to comply with this requirement by 2013 by addressing security risks in our supply chain. We have successfully conducted a supply chain security risk assessment in January 2013 and are currently addressing observations and recommendations to comply with the C-TPAT requirement.

Environment



Figure 2. Illustration of wet and dry process in the production of SIR grade rubber slabs.

Halcyon Agri Corporation Limited is committed to preventing pollution and conserving Indonesia's natural resources.

Our Production

We process rubber slabs into various Standard Indonesian Rubber (SIR) grades through a two-step wet and dry process. One process cycle takes approximately two weeks.

Our total gazetted production capacity is over 100,000 tonnes per annum. Factors influencing this capacity include the number of wet and dry production lines installed, the number of shifts, and necessary downtime for equipment maintenance. We operate three eight-hour shifts per day with our two production facilities operating six days in a week.

In 2012, we have successfully increased utilisation rates compared to 2011. Apart from increased rubber demand, the increase was also a result of process optimisation initiatives led by our engineers and supervisors. Their initiatives helped reduce critical equipment downtime such as hammer mills by improving maintenance schedules. As a result, we not only optimised our production lines but also avoided spending significant capital on upgrading activities.

Table 2. Utilisation rates in 2011 and 2012.

| Reporting Year | Production Volume (tonnes) | Utilisation Rate (%) |
|----------------|----------------------------|----------------------|
| 2011 | 45,286 | 55% |
| 2012 | 67,317 | 73% |

Energy Consumption

Our processing facilities use coal and diesel as direct energy sources. We use coal to fuel our boilers. Boilers produce heat to remove moisture from rubber during the dry process. Diesel is used to generate electricity during times when there are power outages.

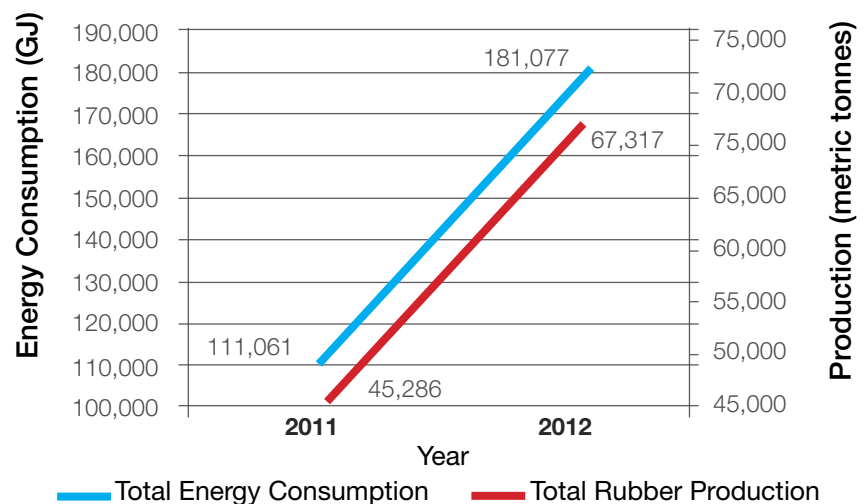
Palembang electricity utilities are unable to provide uninterrupted electricity on a

daily basis. Thus, we are reliant on our diesel-powered generators to power our lighting requirements and production lines. Diesel is also used as a secondary fuel source for producing heat at the dry process.

The increase in our rubber production in 2012 has contributed to an increase in our total energy consumption from 2011. To decouple this trend, we recognise the need to take action on increasing our energy efficiency and reducing reliance on fossil fuel-based energy sources.

On energy efficiency, our production facilities upgraded its boilers in 2009 for HMK1 and 2007 for HMK2 to take advantage of higher combustion efficiencies from more modern boiler

Figure 3. Group energy consumption and production for 2011 and 2012.

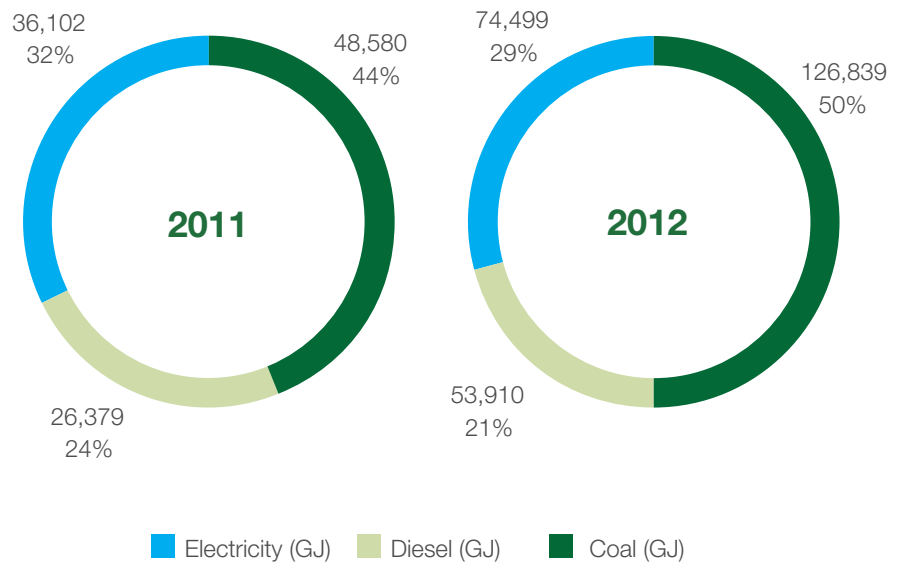


designs. Also, both our boilers and diesel generators are maintained periodically by our engineers to ensure optimum operating efficiencies.

On energy consumption, the majority of our energy requirements were sourced from coal in 2011 and 2012. This is consistent with our rubber processing energy requirements where coal is the main fuel for producing heat at our dry process.

We welcome the use of alternative non-fossil fuel sources. One option explored is the use of biomass to substitute for coal. However, in terms of market price and abundance, locally sourced coal outperforms alternatives. Nevertheless, we remain committed to finding ways to reduce our dependence on fossil-based fuels over the long term.

Figure 4. Relative contributions of energy sources to annual energy consumption.



Water Consumption

Operating both along the banks of Musi River, both HMK1 and HMK2 use the river as its primary source of water for production. Through pumps, water is directed from the river to our wet processing lines to remove impurities from rubber slabs. These impurities are mainly inert such as soil particles and bits of plastic waste and organics such as wood chips.

Our water consumption increased in 2012 in line with the increased rubber production at both processing facilities.

We are committed to using water efficiently as possible. To reduce water consumption, asking our suppliers to reduce impurities can be helpful. However, this proves to be an unfavourable solution as competition can drive our suppliers to sell to other processing facilities without such requirements. As a result, we may lose the required raw material for our production. More importantly, the environmental burden of cleaning is simply shifted from our operations to our upstream stakeholders.

Moving forward, we shall focus water conservation efforts through water reuse and efficient use for housekeeping activities.

Environmental Compliance

Effluents

HMK1 and HMK2 are governed by strict local effluent standards governing the Musi River. In compliance to local water regulations, we report our water quality results to authorities on a monthly basis. Results of our water discharges are expressed using four key parameters: Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Suspended Solids (TSS) and Total Nitrogen (N-Total). To date, we have successfully maintained compliance to local water regulations with discharge levels performing within set limits. Our performance per processing facility since 2011 is reported in the figures following.

Figure 5. Total annual water withdrawals from Musi River.

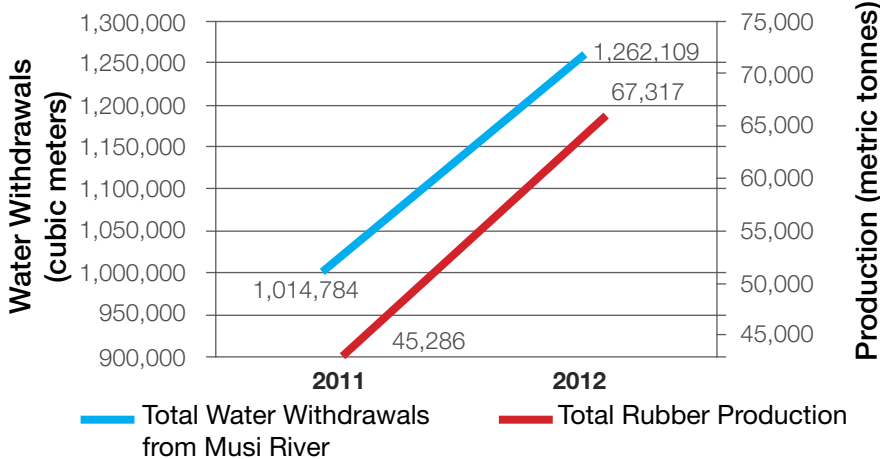


Figure 6. Biological Oxygen Demand (BOD) performance of HAC.

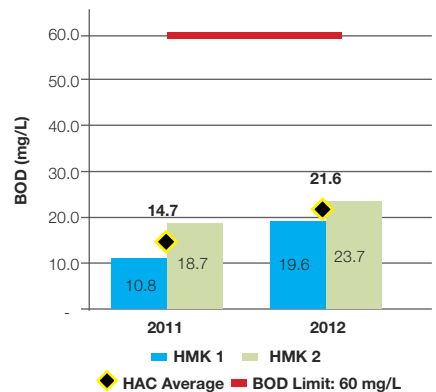


Figure 7. Chemical Oxygen Demand (COD) performance of HAC.

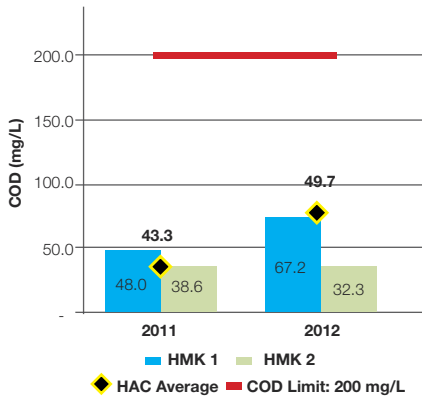


Figure 8. Total Suspended Solids (TSS) performance of HAC.

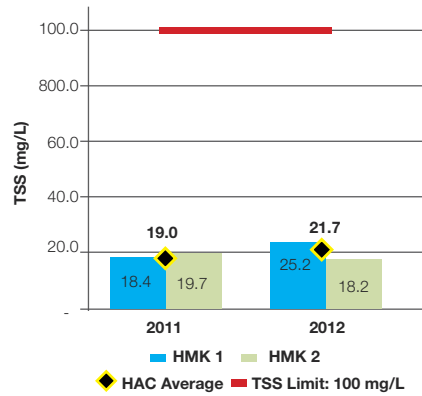
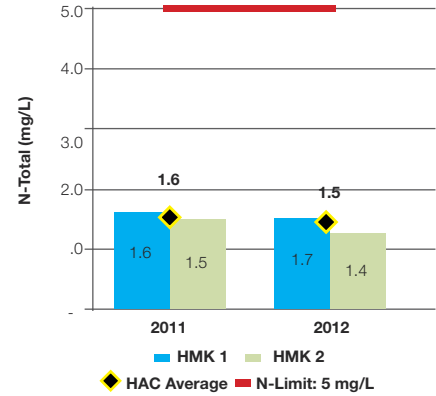


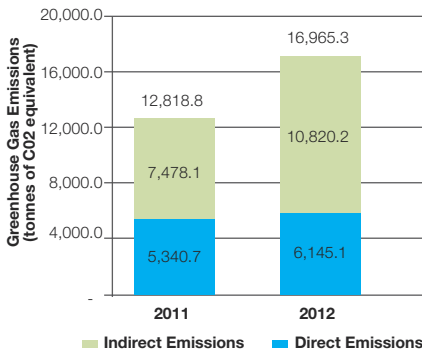
Figure 9. Total Nitrogen (N-Total) performance of HAC.



Emissions

Our boilers, diesel generators and scrubbers are tested by local government representatives every six months to check for compliance against emissions regulations. These include tests detecting particulate concentrations, opacity and dioxides of sulphur and nitrogen levels. For 2011 and 2012, we are pleased to report full compliance to emissions standards at both HMK1 and HMK2.

Figure 10. Direct and indirect greenhouse gas emissions of HAC.



In terms of greenhouse gas emissions, we experienced an increase in total greenhouse gas emissions from 12,818.8 tonnes CO₂e in 2011 to 16,965.3 tonnes CO₂e in 2012. Both direct and indirect emissions contributed to this result. This is attributed to the increase in rubber production in 2012 along with our fuel mix mainly comprised of fossil fuels. We shall endeavour to reduce our carbon emissions over the long term by exploring alternative sources. In the short and medium term,

we will ensure our boilers and generating units are properly maintained for optimal levels of operation.

Waste

Our processing facilities generate both hazardous and non-hazardous types of waste based on Indonesian regulatory definitions. Our hazardous wastes are generated primarily from used oil and lubricants from equipment maintenance activities. We send these to licensed waste treatment collectors. For our non-hazardous waste, these mainly come from waste rubber residue from processing. We ensure approved waste collectors dispose of these properly. We are pleased to report full compliance to local waste management regulations for 2011 and 2012.

Environmental compliance is a key operational requirement for our processing facilities. To strengthen governance in this area, we aim to be certified ISO 14001:2004 in 2013. We believe achieving this recognition will not only help us manage our facilities systematically but will also result in our customers' greater confidence in our environmental management practices.

Upstream Environmental Impacts

According to the International Rubber Study Group's World Rubber Industry Outlook (June 2012), world production of Natural Rubber is projected to increase from 11.0 million tonnes in 2011 to 16.8 million tonnes by 2021.

Our Group considers this as a great opportunity for economic growth but we also realize the potential associated environmental impacts upstream of our operations.

We are aware that smallholder farmers generally own rubber plantations where we source rubber slabs. These farmers design their rubber plantations based on mono crops of rubber trees at the centre of the agricultural land followed by a mix of forest vegetation and rubber trees (known as "jungle rubber") and in some cases, other agricultural crops at the fringes of the plantation. As demand for Natural Rubber increases, we perceive a threat to biodiversity arising from the expansion of these rubber plantations to meet global demand.

To address this threat, we recognise the need to build relationships with our upstream stakeholders beyond transactions at our facilities. To date, our interactions have focused mainly on price of rubber raw material and quality based on dry rubber content. If the rubber material is offered at acceptable market rates and within acceptable quality limits, we accept the supply.

As our next step, we aim to learn more about the issues faced by our upstream stakeholders as a way to build trust and long term relationships with them. To start, we aim to capitalise on the use of our facility rest areas provided to local suppliers as a venue for engagement and feedback.



**DEVELOPING
LIVES**



Employees

Background

Our Group is committed to hire staff based on merit without discrimination to race, gender, religion or ethnicity. We strictly prohibit hiring underage staff in all our offices and processing facilities. We give preference to local talent in hiring our employees in Indonesia and Singapore. We are committed to providing competitive remuneration and benefits to our employees. We are also committed to safeguarding our employees' health and safety against workplace hazards.

In terms of staff demographic, approximately 98% of HAC staff are based in Indonesia with all staff members offered full time employment contracts.



Figure 11. HAC total staff headcount . (as of 31 December 2011/2012)

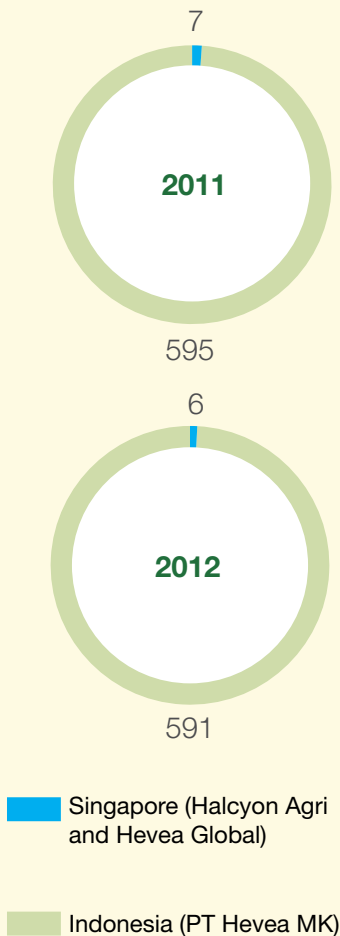


Table 3. Gender distribution across Singapore and Indonesia

| Location | 2011 | | 2012 | |
|-----------|------|--------|------|--------|
| | Male | Female | Male | Female |
| Singapore | 4 | 3 | 3 | 3 |
| Indonesia | 572 | 23 | 567 | 24 |

All our staff members in Singapore and Indonesia are employed under permanent terms with none employed on fixed term basis.

In terms of gender distribution, males were mainly observed to hold positions in maintenance and operations that form the most labour-intensive component of our production. Females, on the other hand, were observed to take office or laboratory positions.

Since 2011, staff turnover has been a non-issue with a rate of less than 1% of total headcount per annum. Our staff members in Indonesia have an average of ten years of service across both processing facilities. We attribute this stability to remuneration and benefits package maintained on our takeover and subsequently enhanced for our staff.

We follow Indonesian wage regulations in remunerating our staff in Indonesia. We provide wages that are at least the

legislated minimum for Palembang, Indonesia. Moreover, we provide 100% medical insurance coverage for our employees while their dependents are given 50% coverage. The company also provides all employees life insurance, pension and gratuity benefits based on years of service in line with local labour regulations, for all employees.

On retirement, we provide retirement plans to our staff that are at least 60 years of age with 10 years of service or more in line with our labour agreement. Retirement plans are discussed and agreed in collaboration with our labour unions.

In terms of housing benefits, approximately half of our employee headcount in Indonesia are provided housing for their families. Housing facilities are located within a 5-minute walk from the processing facilities. These housing facilities are provided with both electricity and non-potable water use

coming from generator units and water treatment plants in HMK1 and HMK2 respectively. For staff members who do not make use of our housing facility, they are provided with a housing allowance.

In addition to these benefits, we have full respect for the religious practices of our staff. As such, we maintain places of worship near our processing facilities to cater to our Muslim and Christian staff.

Moving forward, we will continue to support the families of our employees by building community recreation facilities and maintaining the upkeep of their homes and places of worship.

In Singapore, the Ministry of Manpower and other supporting agencies set the framework, policies and rules governing our workforce, which we abide by. There are no regulations on minimum wage in the country. The National Wages Council, comprising representatives from trade unions, government and employers formulate wage guidelines to ensure the country's stability and long-term economic growth.

Staff Engagement

We conduct monthly face-to-face meetings between representatives from our top management and the processing facility staff. The monthly agenda covers

a performance and operations review with senior staff in HMK1 and HMK2. Our monthly interactions helped us recognise the need for greater face-to-face interactions with our staff on the ground. These interactions are intended to build trust and facilitate potential change management initiatives necessary to maintain our competitiveness. Moving forward, we aim to implement structured communication programs between management and staff for more effective two-way engagement.

Health and Safety

In Indonesia, our Lost Time Incident Rate (LTIR) was 0.40 per 200,000 working hours in 2011. The rate lowered to 0.32 in 2012. Thankfully, all reported work incidents have been minor and non-fatal resulting in zero man days lost to serious accidents. Absentee rates across our total workforce have remained insignificant with an average of 0.003% absences in 2011 and 2012.

To date, we engage the services of a medical practitioner to cater to staff requiring consultation or medical advice. Although we promote this through their medical coverage, we currently do not have mandatory health screening to monitor staff health and detect potential occupational disease. We will endeavour to implement this in future recognising

Figure 12. Lost Time Incident Rate (LTIR) at production sites (HMK1 and HMK2)



possible long-term health effects from hazards such as noise.

To strengthen our governance over health and safety issues at our processing facilities, we aim to achieve OHSAS 18001:2007 in 2013.

In Singapore, all workplaces are covered under the Workplace Safety and Health Act (WSHA). WSHA requires all employers to report incidents dutifully to the Ministry of Manpower as part of their obligations. Fortunately, we have no health and safety incidents reportable to the Ministry of Manpower in 2011 and 2012.



Partnerships



Contributions

Indonesian law requires all public corporations to contribute a percentage of their revenue to corporate social responsibility (CSR) initiatives. Private corporations are not required but are encouraged by the Indonesian government. We have contributed monetarily to the local government, for CSR initiatives, since assuming ownership of the processing facilities in February 2011. Amounting to approximately 3 to 5 million Indonesian Rupiah per month, the local government channels these funds to various community development initiatives and infrastructure improvements.

The Indonesian regulation also provides the flexibility to corporations to spend the contributed amount themselves as long as these are for CSR purposes. Moving forward, we aim to play a more active role in allocating these funds directly to social causes in partnership with relevant Indonesian government agencies.

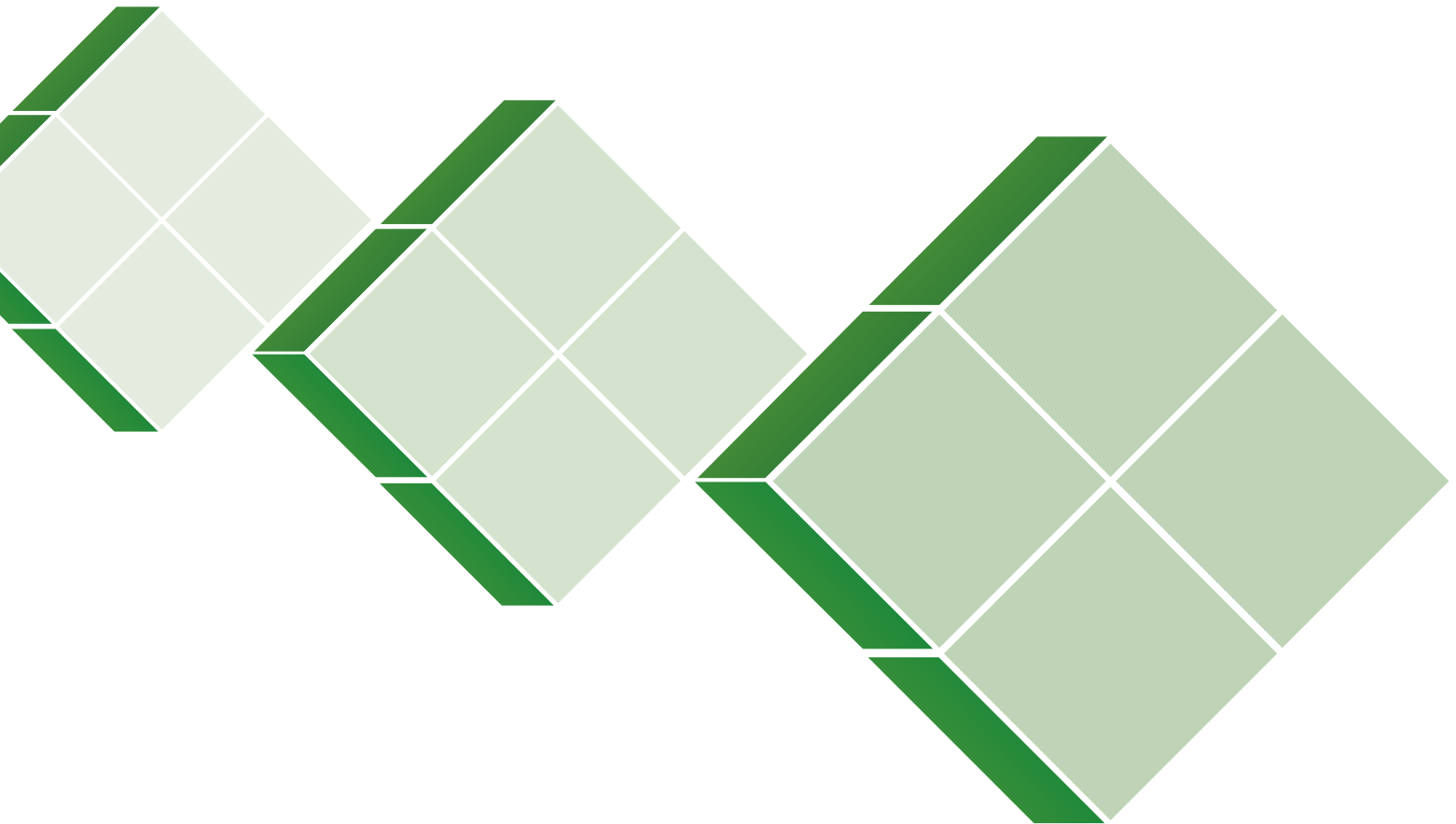
In 2012, as part of a community enrichment activity, our top management were actively involved in training up a youth soccer team comprising children of our employees in Palembang. The team visited Singapore in June 2012 to participate in the 4th Singapore Cricket Club Soccer 6s Charity Youth Tournament, in which they finished in third place and clinched the best newcomer award. We are pleased that the young HMK team have gone on to participate and excel in further match engagements in Indonesia.

Memberships

Our Group plays an active role in the Rubber Association of Indonesia (GAPKINDO). As an industry body, we support GAPKINDO's aims of making Natural Rubber processing a premier industry in Indonesia. Our membership began in 2011 with our Head of Production serving a leadership role as coordinator between GAPKINDO South Sumatra and its national office in Jakarta,

Indonesia. Since 2011, he has promoted housekeeping and hygienic processing good practice among association members.

Moving forward, we aim to establish networks and memberships in 2013 with industry associations such as the International Rubber Study Group and the Singapore Chinese Chamber of Commerce Rubber Association. Working closely with these organisations provides avenues to discuss and seek collective action on ensuring sustainability in the natural rubber industry.



Global Reporting Initiative (G3.1) Index

Global Reporting Initiative (G3.1) Index

PROFILE DISCLOSURES

| 1. STRATEGY AND ANALYSIS | | | |
|---------------------------|--|----------|---|
| Profile Disclosure | Description | Reported | Page |
| 1.1 | Statement from the most senior decision-maker of the organisation | Fully | 2-3 |
| 2. ORGANISATIONAL PROFILE | | | |
| Profile Disclosure | Description | Reported | Page |
| 2.1 | Name of the organisation. | Fully | Halcyon Agri Corporation Ltd. |
| 2.2 | Primary brands, products, and/or services. | Fully | 4-5 |
| 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures. | Fully | 4 |
| 2.4 | Location of organisation's headquarters. | Fully | 250 North Bridge Road #12-01 Raffles City Tower Singapore 179101 |
| 2.5 | Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | Fully | 4-5 |
| 2.6 | Nature of ownership and legal form. | Fully | Annual Report 2012*: <ul style="list-style-type: none"> Nature of ownership: 88-89 Legal form: 26 |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Fully | Annual Report 2012: 18 |
| 2.8 | Scale of the reporting organisation. | Fully | <ul style="list-style-type: none"> Number of employees: 14 Net Sales: Annual Report 2012: 6-8 Number of Operations: 4, Annual Report 2012: 76 Products: 4-5 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | Fully | Annual Report 2012: 16-17 |
| 2.10 | Awards received in the reporting period. | Fully | 5 |
| 3. REPORT PARAMETERS | | | |
| Profile Disclosure | Description | Reported | Page |
| 3.1 | Reporting period for information provided. | Fully | 6 |
| 3.2 | Date of most recent previous report (if any). | Fully | ** |
| 3.3 | Reporting cycle | Fully | 6 |
| 3.4 | Contact point for questions regarding the report or its contents. | Fully | enquiry@halcyonagri.com |
| 3.5 | Process for defining report content. | Fully | 8-9 |
| 3.6 | Boundary of the report. | Fully | 6 |

(*) Halcyon Agri Corporation Ltd Annual Report 2012. Visit: www.halcyonagri.com

(**) Not Applicable. This is Halcyon Agri Corporation's first sustainability report.

PROFILE DISCLOSURES (CONTINUED)

| 3. REPORT PARAMETERS | | | |
|--|---|----------|---|
| Profile Disclosure | Description | Reported | Cross-reference/Direct answer |
| 3.7 | State any specific limitations on the scope or boundary of the report. | Fully | 6, 8-9 |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations. | Fully | 6 |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement. | Fully | ** |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | Fully | ** |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | Fully | 18-21 |
| 4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT | | | |
| Profile Disclosure | Description | Reported | Cross-reference/Direct answer |
| 4.1 | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. | Fully | Annual Report 2012: <ul style="list-style-type: none"> • Governance body: 10-11 • Composition and committees: 28-38 |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Fully | Annual Report 2012: 29 |
| 4.3 | For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | Fully | Annual Report 2012: 29-31 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Fully | <ul style="list-style-type: none"> • Shareholders: Annual Report 2012: 39 • Employees: 15 |
| 4.14 | List of stakeholder groups engaged by the organisation. | Fully | 8 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Fully | 8 |

(**) Not Applicable. This is Halcyon Agri Corporation's first sustainability report.

Global Reporting Initiative (G3.1) Index

PERFORMANCE INDICATORS

| Performance | Description | Reported | Page |
|---|---|-----------|---|
| ECONOMIC | | | |
| Economic performance | | | |
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Fully | <ul style="list-style-type: none"> Revenue, Costs, Wages, Payments and Tax: Annual Report 2012: 6-7 and 49 Community Investment: 16 |
| EC3 | Coverage of the organisation's defined benefit plan obligations. | Partially | Annual Report 2012: 82 |
| Market presence | | | |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. | Fully | 6, 14 |
| Indirect economic impacts | | | |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Fully | 15 |
| ENVIRONMENTAL | | | |
| Energy | | | |
| EN3 | Direct energy consumption by primary energy source. | Fully | 10-11 |
| EN4 | Indirect energy consumption by primary source. | Fully | 10-11 |
| Water | | | |
| EN8 | Total water withdrawal by source. | Fully | 11 |
| Emissions, effluents and waste | | | |
| EN16 | Total direct and indirect greenhouse gas emissions by weight. | Fully | 12 |
| EN21 | Total water discharge by quality and destination. | Fully | 11-12 |
| Compliance | | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Fully | 11-12 |
| LABOUR PRACTICES AND DECENT WORK | | | |
| Employment | | | |
| LA1 | Total workforce by employment type, employment contract, and region, broken down by gender. | Fully | 14 |
| Occupational health and safety | | | |
| LA7 | Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender. | Fully | 15 |

PERFORMANCE INDICATORS (CONTINUED)

| HUMAN RIGHTS | | | |
|--------------------------------------|--|-------|---|
| Child labour | | | |
| HR6 | Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour. | Fully | 14 |
| SOCIETY | | | |
| Compliance | | | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | Fully | HAC reports zero cases of significant fines and sanctions for the reporting period. |
| PRODUCT RESPONSIBILITY | | | |
| Product and service labelling | | | |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Fully | 9 |
| Compliance | | | |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | Fully | 9 |



Statement GRI Application Level Check

GRI hereby states that **Halcyon Agri Corporation Limited** has presented its report "Halcyon Agri Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 15 July 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 5 July 2013. GRI explicitly excludes the statement being applied to any later changes to such material.